

CANADIAN POWER AND PAPER INVESTMENTS, LIMITED

355 ST. JAMES STREET WEST

MONTREAL

CANADA

Montreal, 30th October, 1942.

To the Shareholders:

Your Directors submit herewith the Annual Report of your Company for the year ended July 31st, 1942, including Balance Sheet and Statements of Profit and Loss and Surplus Accounts, which have been certified to by the Company's auditors, Messrs. P. S. Ross & Sons.

Debentures to the principal amount of \$72,000 were purchased by the Company during the year and cancelled.

In September, 1942, in accordance with Supplementary Trust Agreement made between the Company and the Montreal Trust Company, as Trustee, under date of October 24th, 1934, the Auditors deposited a Certificate with the Trustee to the effect that there were no earnings available for the accounting period ended July 31st, 1942, for arrears of interest on the 5% Thirty-Year Debentures, Series "A", of the Company. Debenture interest for the year under review was paid as it became due.

Respectfully submitted on behalf of the Board,

J. ALDERIC RAYMOND,
President.

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Diversification of Investments

Based on Current Values as at 31st July, 1942

	Bonds	Preferred Stocks	Common Stocks	Total
Government.....	.68	....	....	.68%
Public Utilities.....	....	34.85	19.97	54.82 (A)
Pulp and Paper.....	.79	....	17.68	18.47 (B)
Foodstuffs and Beverages.....	8.13	5.19	1.61	14.93
Mining and Smelting.....	....	....	4.40	4.40
Oil.....	....	....	2.13	2.13
Textile, Iron, Steel, Coal, etc.....	....	.68	3.12	3.80
Railroads and Real Estate.....	.77	....	....	.77
	<u>10.37%</u>	<u>40.72%</u>	<u>48.91%</u>	<u>100.00%</u>

(A) Consisting largely of Power Corporation of Canada, Limited.

(B) Consisting largely of Bathurst Power & Paper Company, Limited.

NOTE:—The change in percentages shown this year as against last year is due principally to changes in market values of securities rather than quantity of securities held.

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CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Statement of Profit and Loss Account for the year ended 31st July, 1942

REVENUE

Revenue from Investments	\$ 53,152.27	
Profit on Exchange	608.59	
Bank Interest	53.04	
		<u>\$ 53,813.90</u>

EXPENDITURE

Audit Fees	\$ 300.00	
General Expense	397.30	
Insurance	167.11	
Legal Expense	25.00	
Rent	30.00	
Salaries—Clerical and Secretarial	1,200.00	
Taxes	712.44	
Trustee's, Transfer Agent's, Registrar's and Paying Agent's Fees	1,105.56	
Directors' Fees	1,500.00	
Debenture Interest	40,829.89	
Foreign Exchange on Debenture Interest paid during the year	4,799.79	
Income Tax on Interest and Dividends received in U.S. funds and		
U.S. Withholding Tax	348.85	
Prior year's security transfer taxes	389.58	
		<u>51,805.52</u>
Profit for the year ended 31st July 1942 transferred to Earned Surplus Account	\$ 2,008.38	

Statement of Earned Surplus Account as at 31st July, 1942

Balance at Credit 31st July, 1941	\$ 27,812.86
ADD: Reduction of Liability for Debenture Interest accrued to 31st July 1938, resulting from purchase and cancellation during the year ended 31st July 1942 of \$72,000.00 principal amount of 5% Debentures	16,200.00
Profit from Operations for the year ended 31st July, 1942	2,008.38
Balance at Credit 31st July, 1942	<u>\$ 46,021.24</u>

Statement of Capital Surplus Account as at 31st July, 1942

Balance at Debit 31st July, 1941	\$ 52,454.97
DEDUCT: Discount on Debentures purchased and cancelled	19,695.25
	<u>\$ 32,759.72</u>
ADD: Loss resulting from sale of Investment Securities	2,434.15
Balance at Debit 31st July, 1942	<u>\$ 35,193.87</u>

CANADIAN POWER & PAPER INVESTMENTS, LIMITED

Balance Sheet *as at 31st July, 1942*

ASSETS		
Cash in Banks.....		\$ 28,014.57
Investments at cost:		
Bonds.....	\$ 119,114.60	
Preferred Stocks.....	748,704.00	
Common Stocks.....	3,618,875.15	
		4,486,693.75
(The aggregate value of these Investments at quoted market prices at 31st July, 1942, was \$738,260.66.)		
Accrued Interest on Investments.....		1,262.50
Prepaid Insurance.....		270.48
		<u>\$4,516,241.30</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities.....		\$ 2,246.28
Interest accrued on outstanding Debentures:		
1st February 1934 to 31st July 1938.....	\$ 174,127.50	
1st February 1942 to 31st July 1942.....	19,347.50	
		193,475.00
Investment Reserve.....		85,792.65
5% Thirty Year Debentures, Series "A", due 1st February, 1958:		
Outstanding 31st July, 1941.....	\$ 845,900.00	
DEDUCT: Purchased and cancelled during the year ended 31st July, 1942.....	72,000.00	
		773,900.00
Cumulative Preferred Shares: (Redeemable at \$52.50 per share):—		
Authorized and Issued:		
50,000 shares of No Par Value.....		2,500,000.00
(of which 5,506 shares were in hands of transfer agent for distribution on share for share basis to holders of 5% Cumulative Convertible Preferred Shares upon surrender thereof).		
Common Stock:		
Authorized—96,000 shares of No Par Value.		
Issued —94,000 shares.....		950,000.00
(of which 11,590-27/50 shares were outstanding in excess of present requirements for distribution under terms of Supplementary Letters Patent dated 6th September 1934).		
Earned Surplus—as per statement attached.....	\$ 46,021.24	
Capital Deficit—as per statement attached.....	35,193.87	
		10,827.37
Approved on behalf of the Board:		
J. ALDERIC RAYMOND	} Directors.	<u>\$4,516,241.30</u>
E. R. BREMNER		
C. W. G. GIBSON		

Auditors' Report

CANADIAN POWER & PAPER INVESTMENTS, LIMITED,
MONTREAL :

We have audited the accounts of Canadian Power & Paper Investments, Limited for the year ended 31st July, 1942, and have obtained all the information and explanations required by us.

We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the financial position of the Company as at 31st July, 1942, and that the Profit and Loss and Surplus Accounts show the results from operations for the year ended the same date, according to the best of our information, the explanations given to us and as shown by the books of account of the Company.

MONTREAL, QUE., 24th August, 1942.

(Signed) P. S. ROSS & SONS,
Chartered Accountants.

CANADIAN POWER AND PAPER
INVESTMENTS, LIMITED

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Annual Report
as at 31st July, 1942

Head Office:
355 ST. JAMES STREET WEST
MONTREAL
CANADA